

The Maine Economy: Trends and Outlook

PORTSIDE REAL ESTATE GROUP

JULY 12, 2022

AMANDA RECTOR

MAINE STATE ECONOMIST

DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES



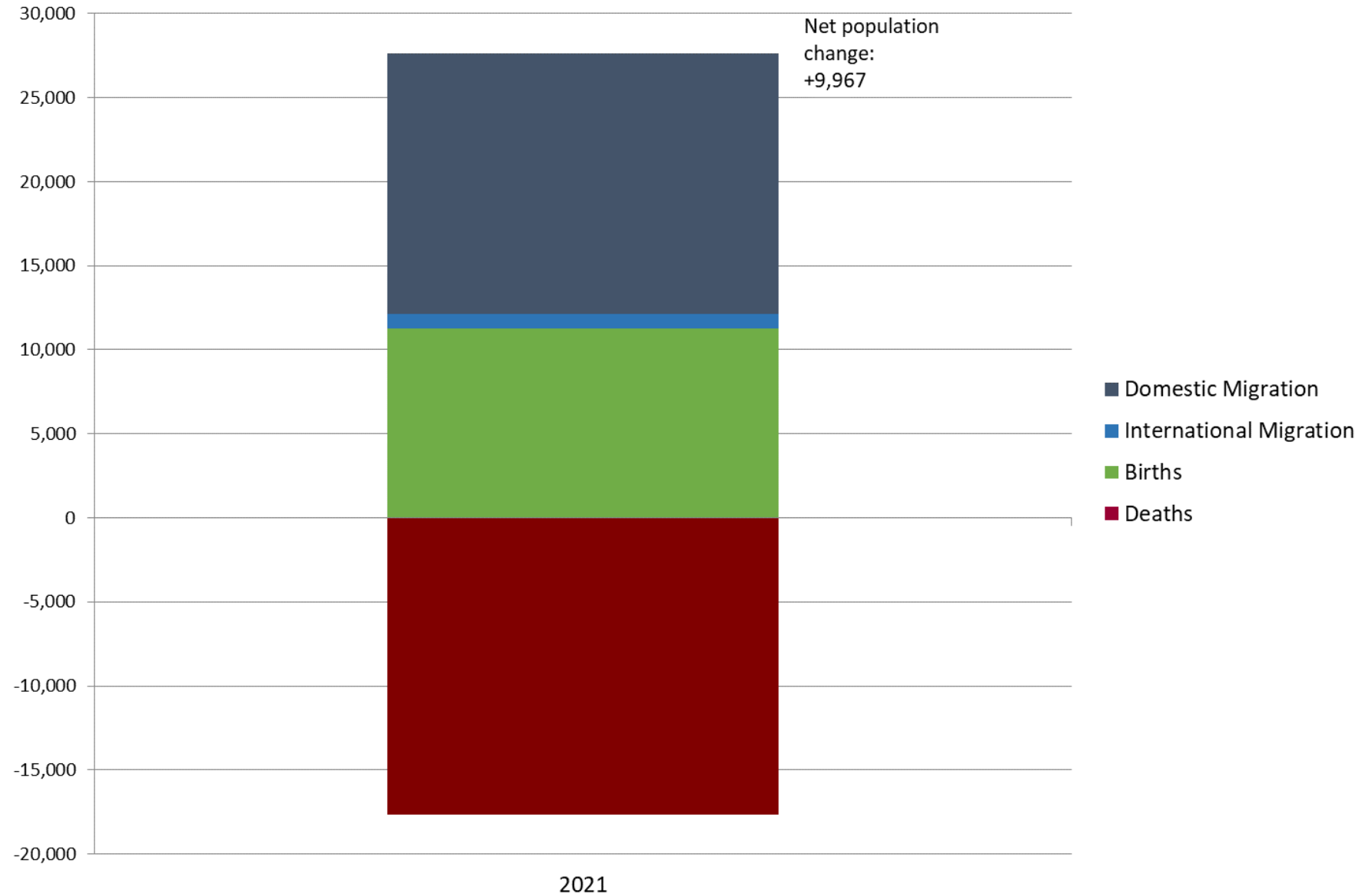
Components of Population Change, Maine

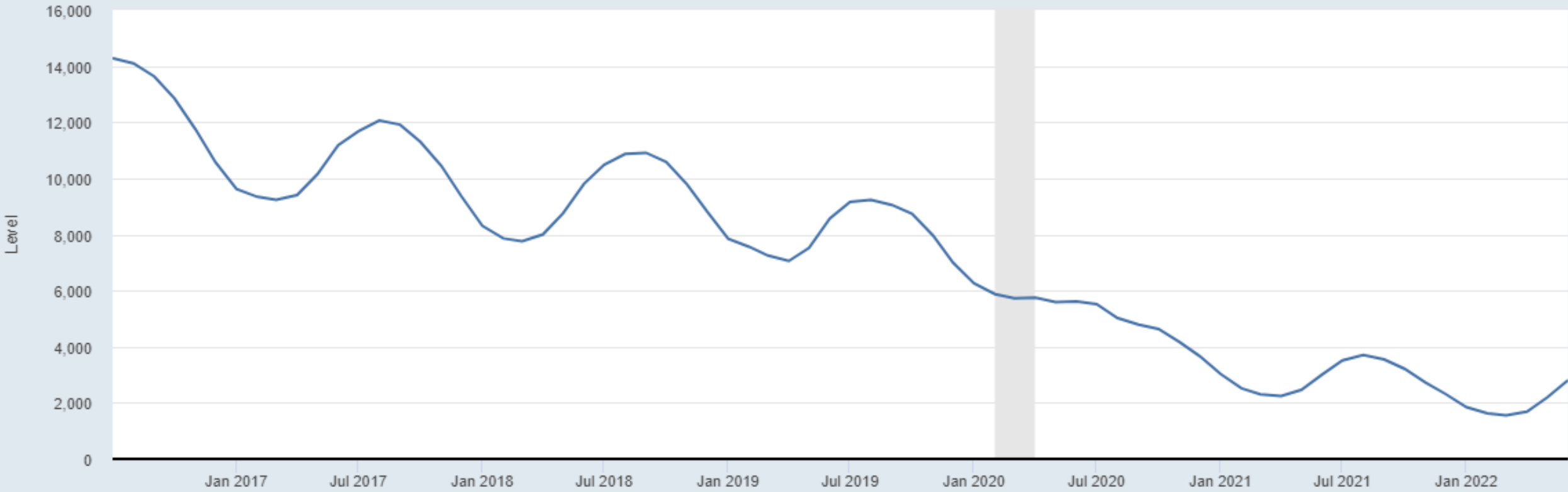
2020 Decennial Population =
1,362,359 (42nd in U.S.)

Population increase of 2.6%
from 2010-2020 (42nd in U.S.)

Population increase of 0.7%
from 2020-2021 (14th in U.S.)

Net migration = 12.0 per
thousand (7th in U.S.)



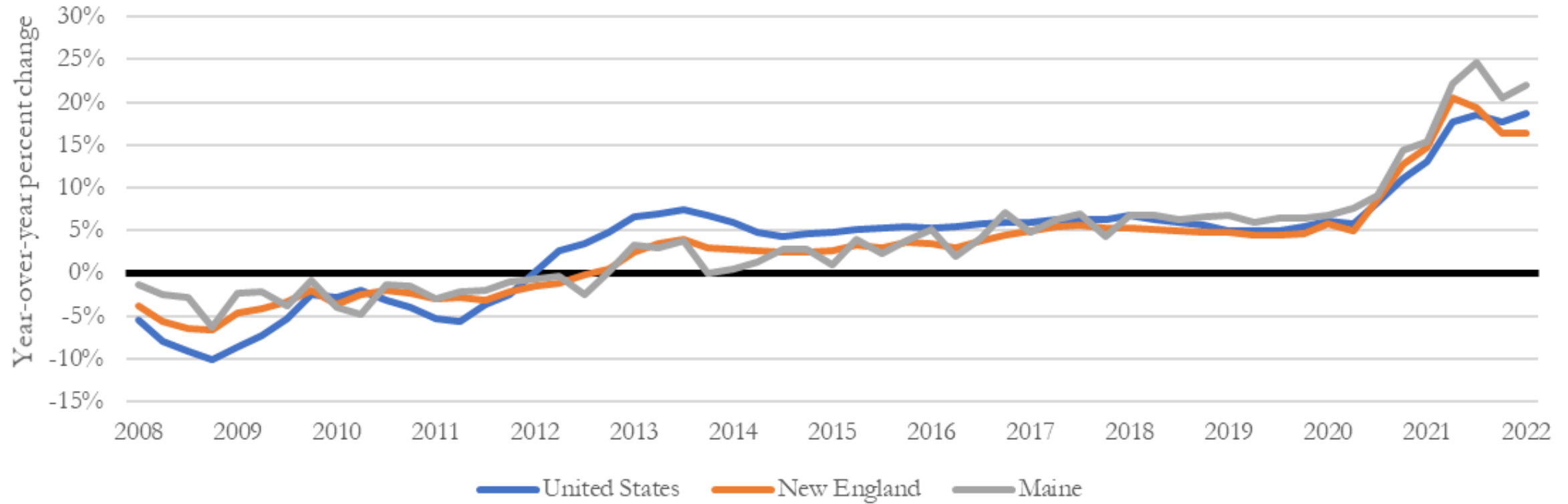


Shaded areas indicate U.S. recessions.

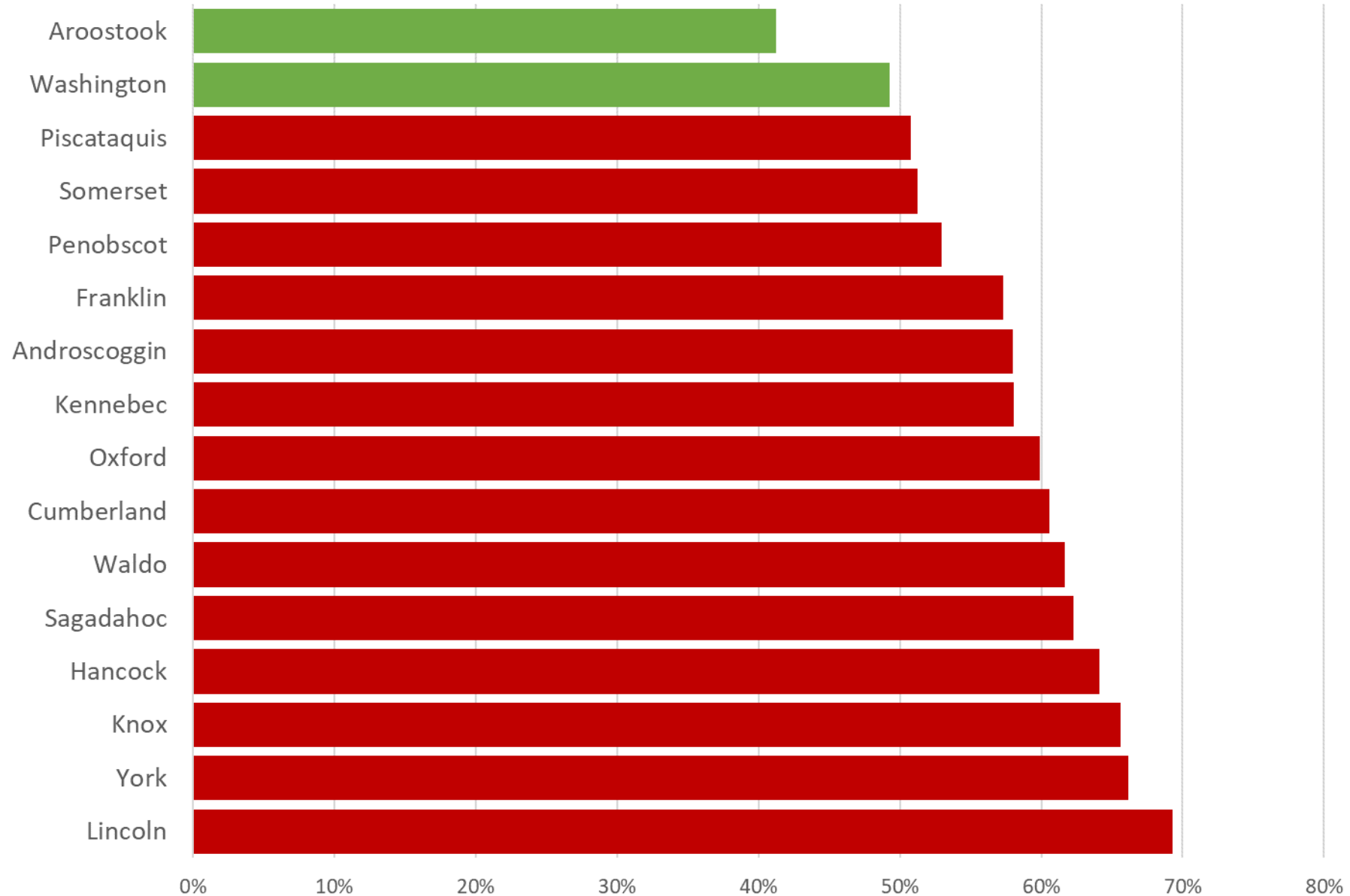
Source: Realtor.com

fred.stlouisfed.org

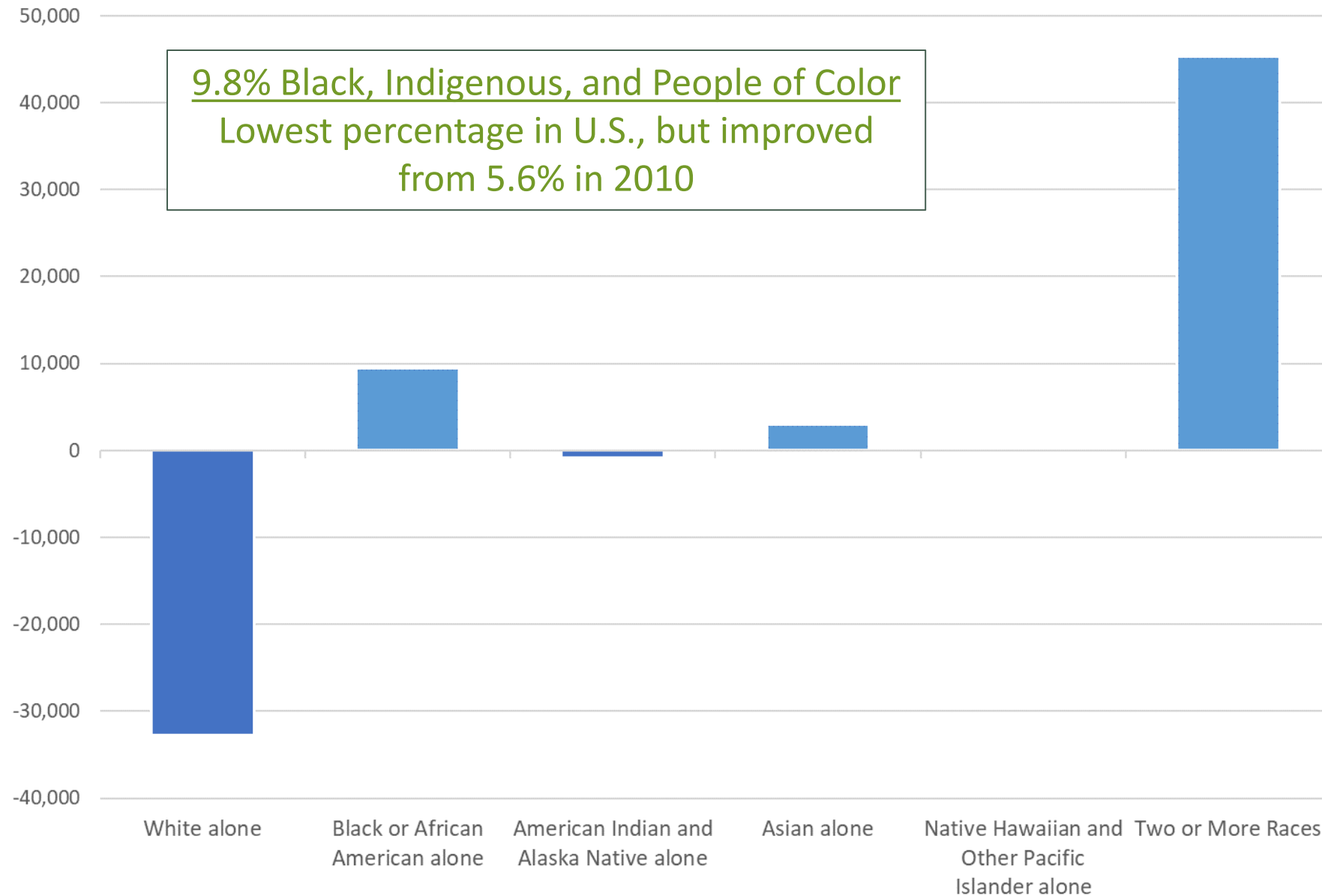
Percent Changes, Year-over-year in FHFA House Price Index (Seasonally Adjusted)



Percent of Households Unable to Afford Median Home, 2021



Change in Maine Population by Race, 2010-2020

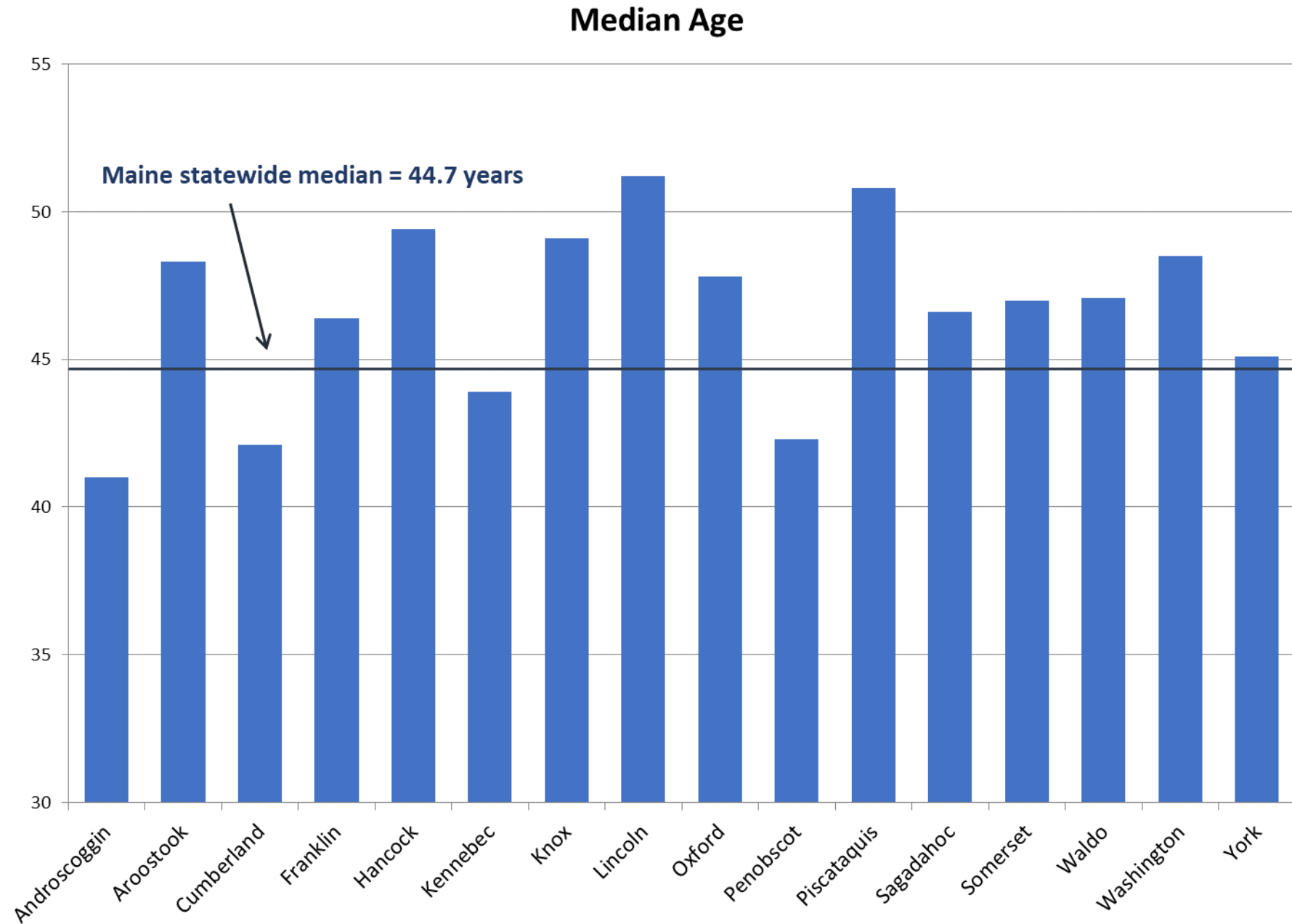


Maine has the oldest population...

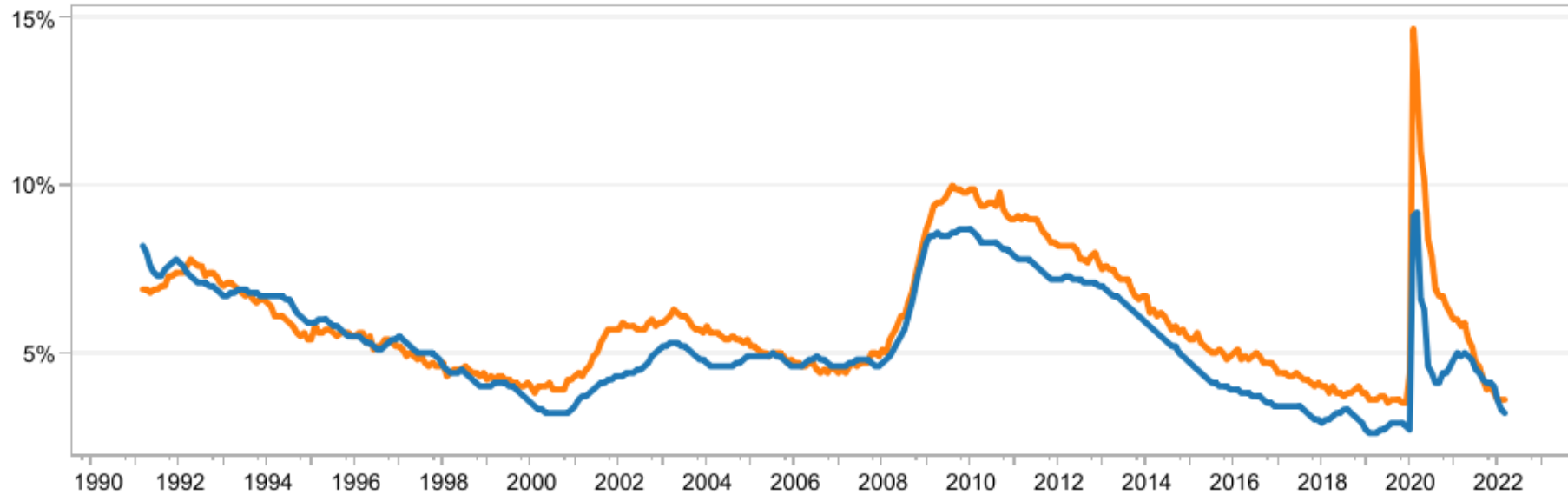
...by median age
(44.7 years)
...and by % of population
age 65+ (21.7%)

BUT!

Maine was the **ONLY**
state in the U.S. to see a
decrease in median age
from 2020 to 2021



Unemployment Rate
(seasonally adjusted)

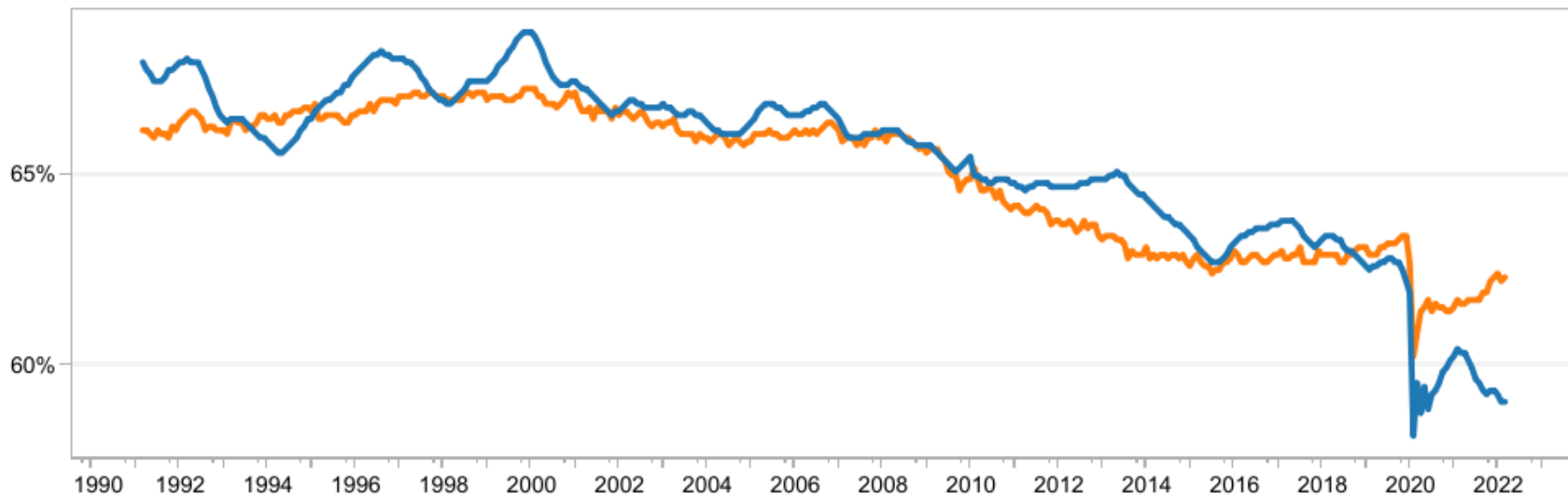


Apr, 1991 to May, 2022

- Unemployment Rate
- Labor Force & Employment
- Unemployment
- Labor Force Participation Rate
- Employment to Population Ratio

■ Maine
■ United States

Labor Force Participation Rate
(seasonally adjusted)

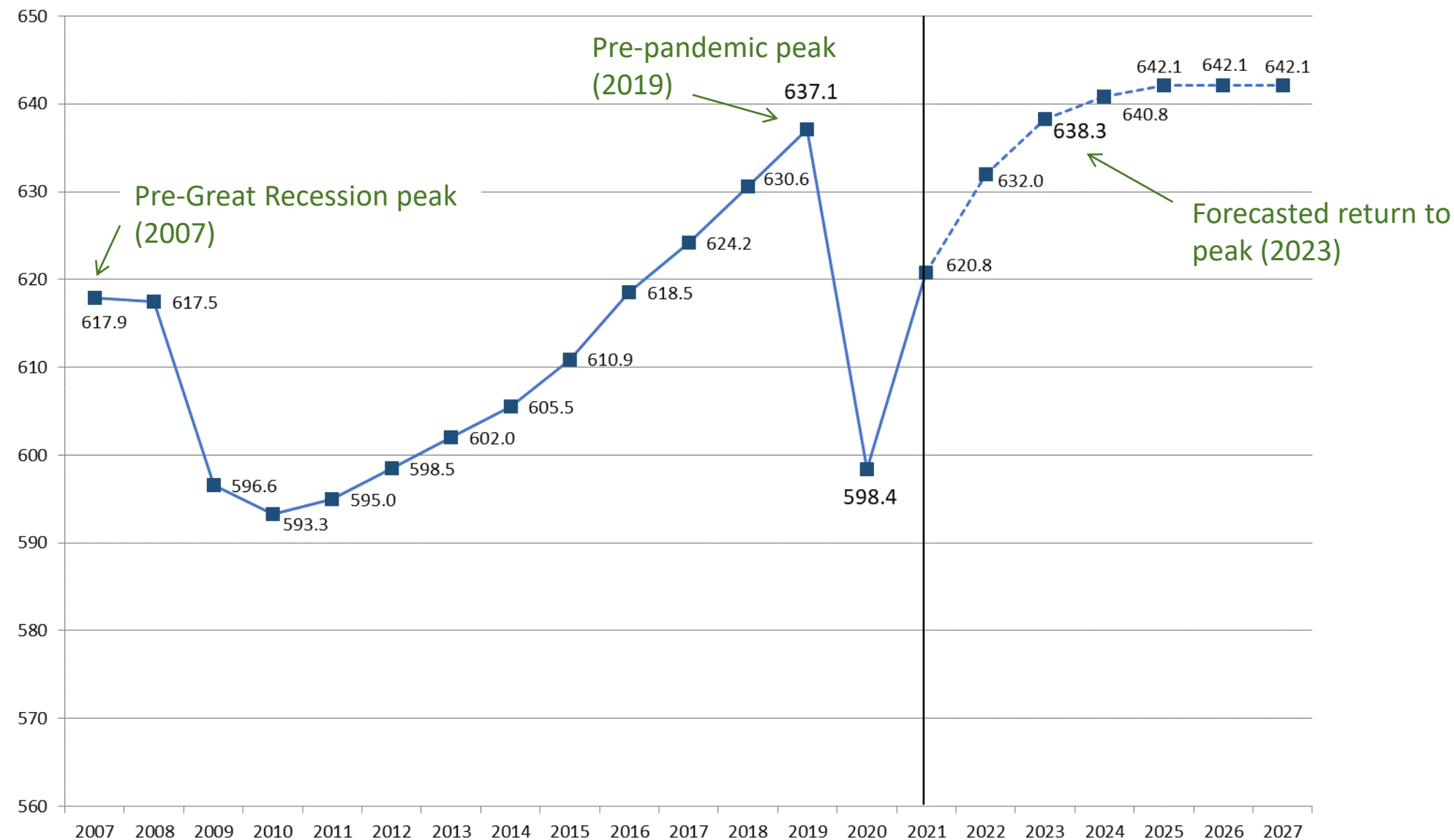


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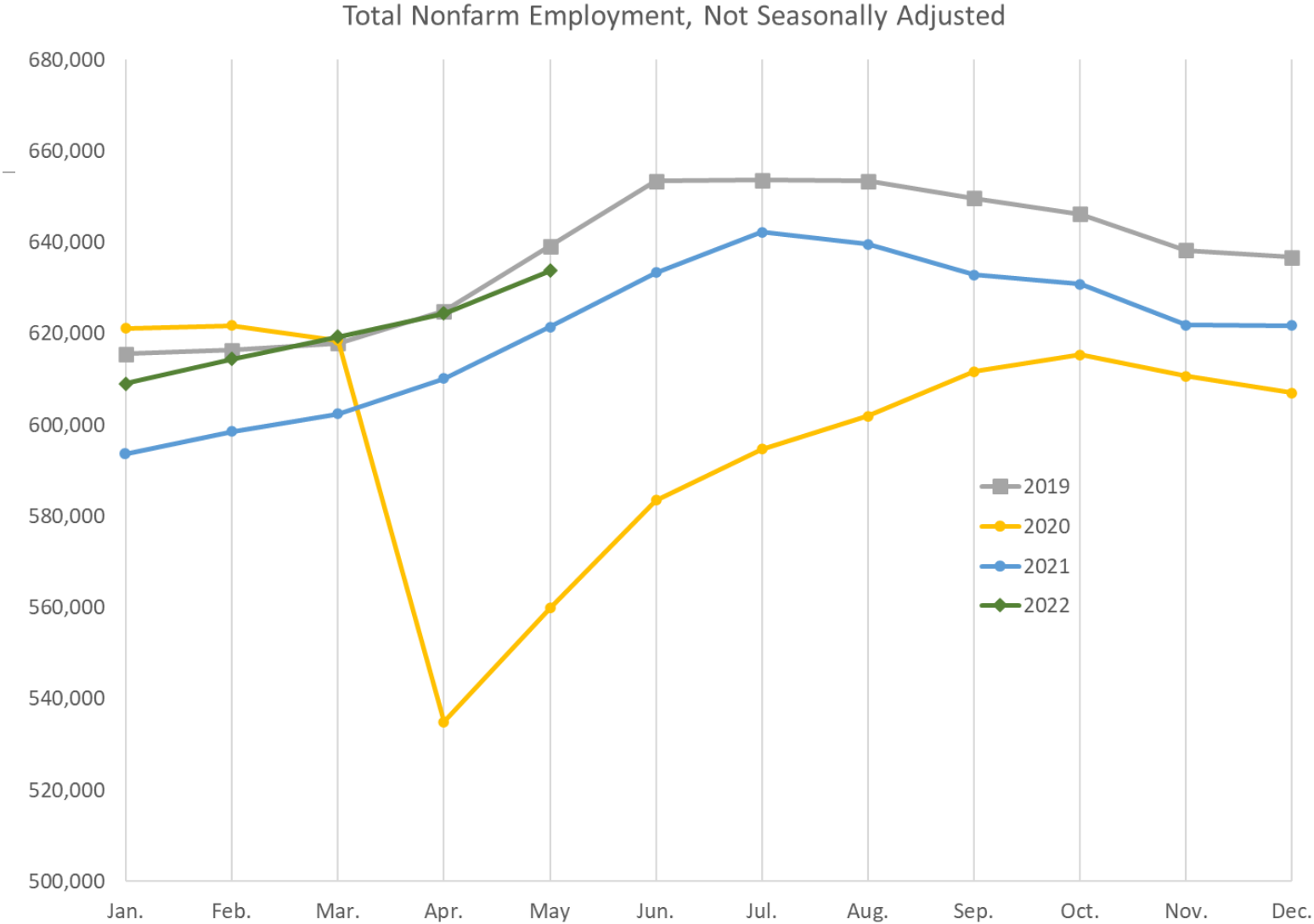
■ Maine
■ United States

Total Nonfarm Employment (in thousands)
History and CEFC forecast

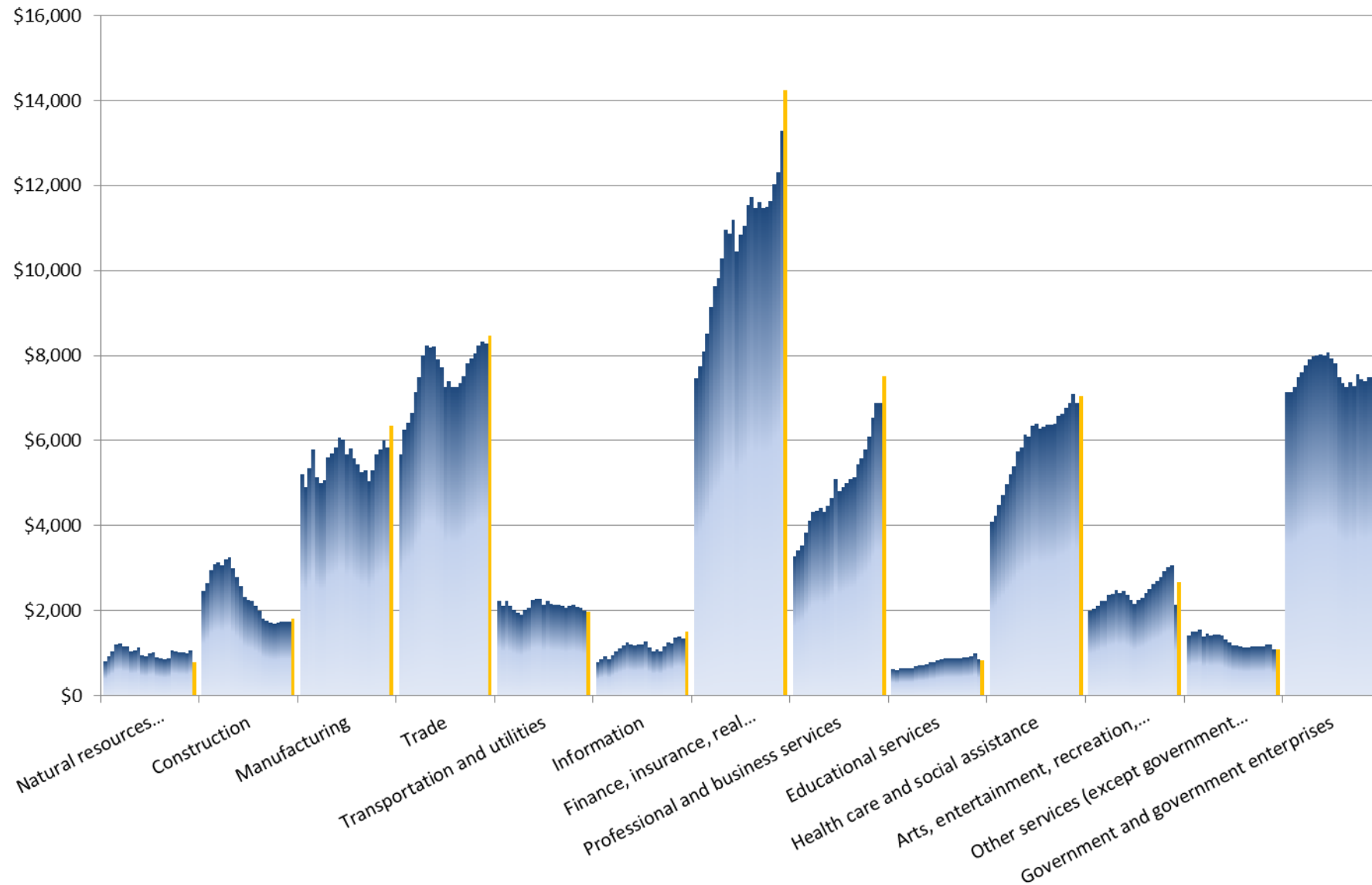


Nearly all sectors are at or above pre-pandemic employment, the exceptions being:

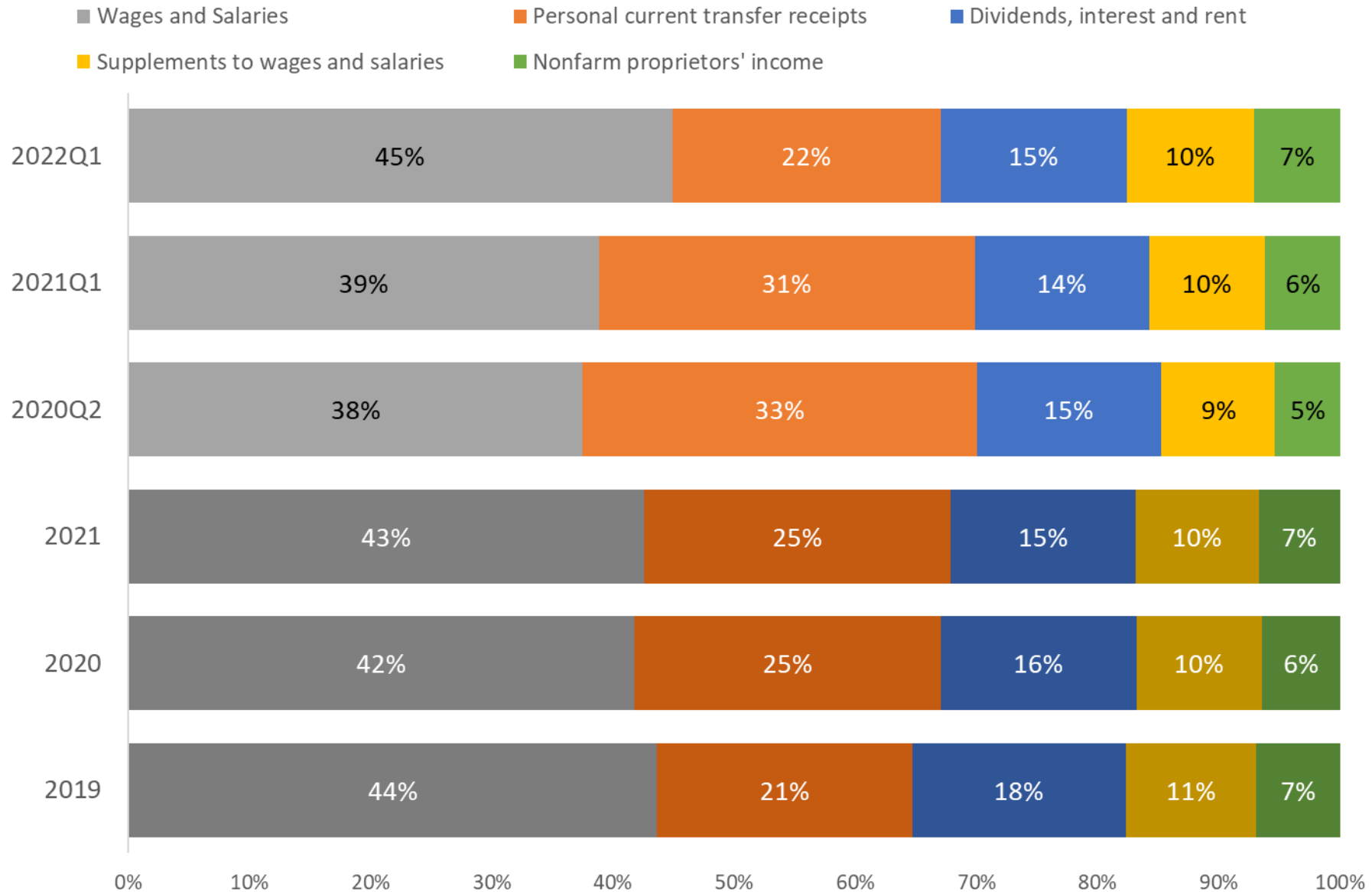
- healthcare and social assistance (mostly long-term care and social assistance)
- state and local government (mostly public education)



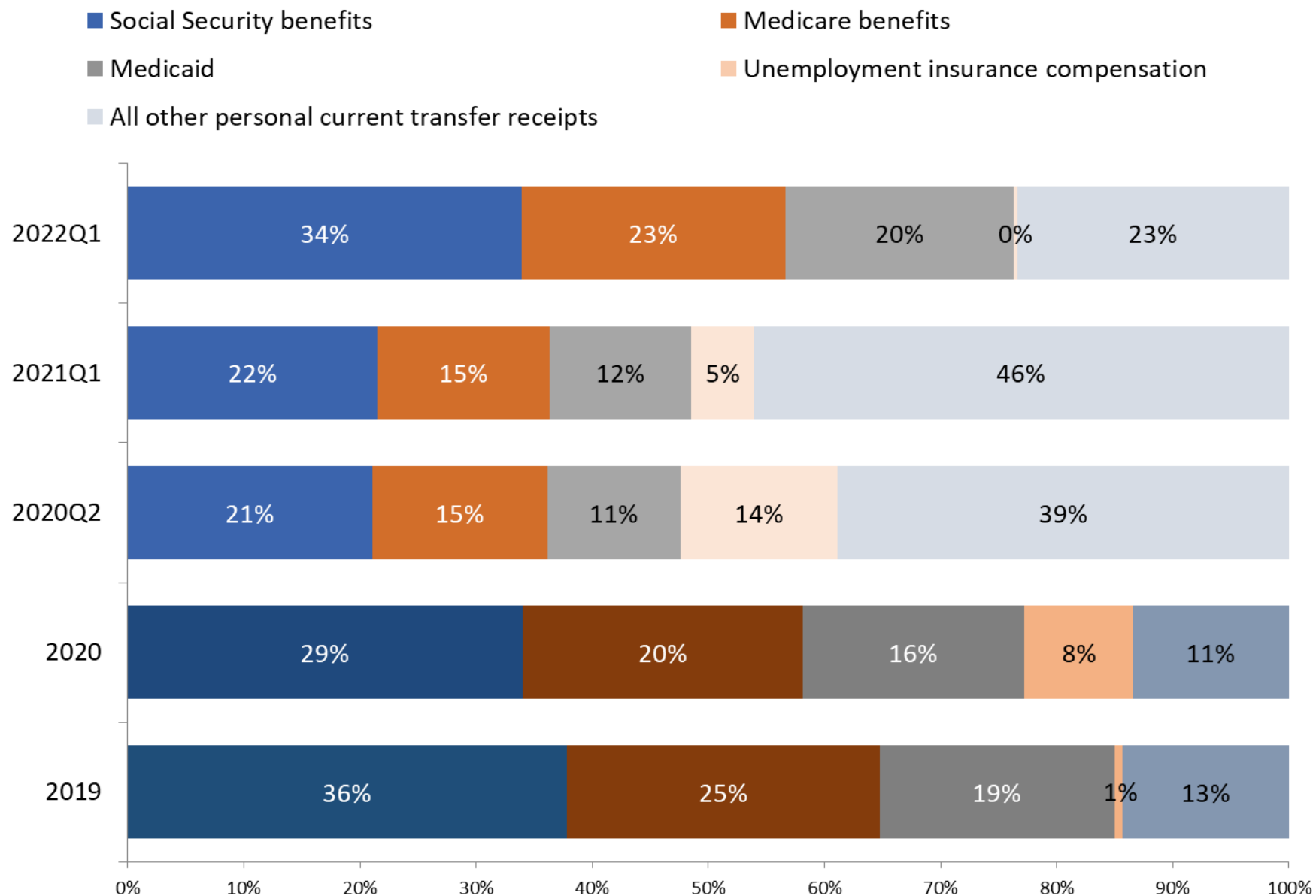
Maine Real GDP by Industry, 1997-2021 (in millions of chained 2012 dollars)



Major Components of Personal Income, Maine



Components of Personal Current Transfer Receipts, Maine



Federal supports including stimulus payments and enhanced UI played a role in reducing poverty in 2020, and Child Tax Credits reduced child poverty in 2021

Official 2020 U.S. poverty rate = 11.4%, 1.0 percentage points higher than 2019

Supplemental Poverty Measure (SPM) = 9.1%, 2.6 percentage points LOWER than 2019

- Without stimulus payments, the SPM would have been 12.7%

Nationally, people moved out of poverty due to federal programs:

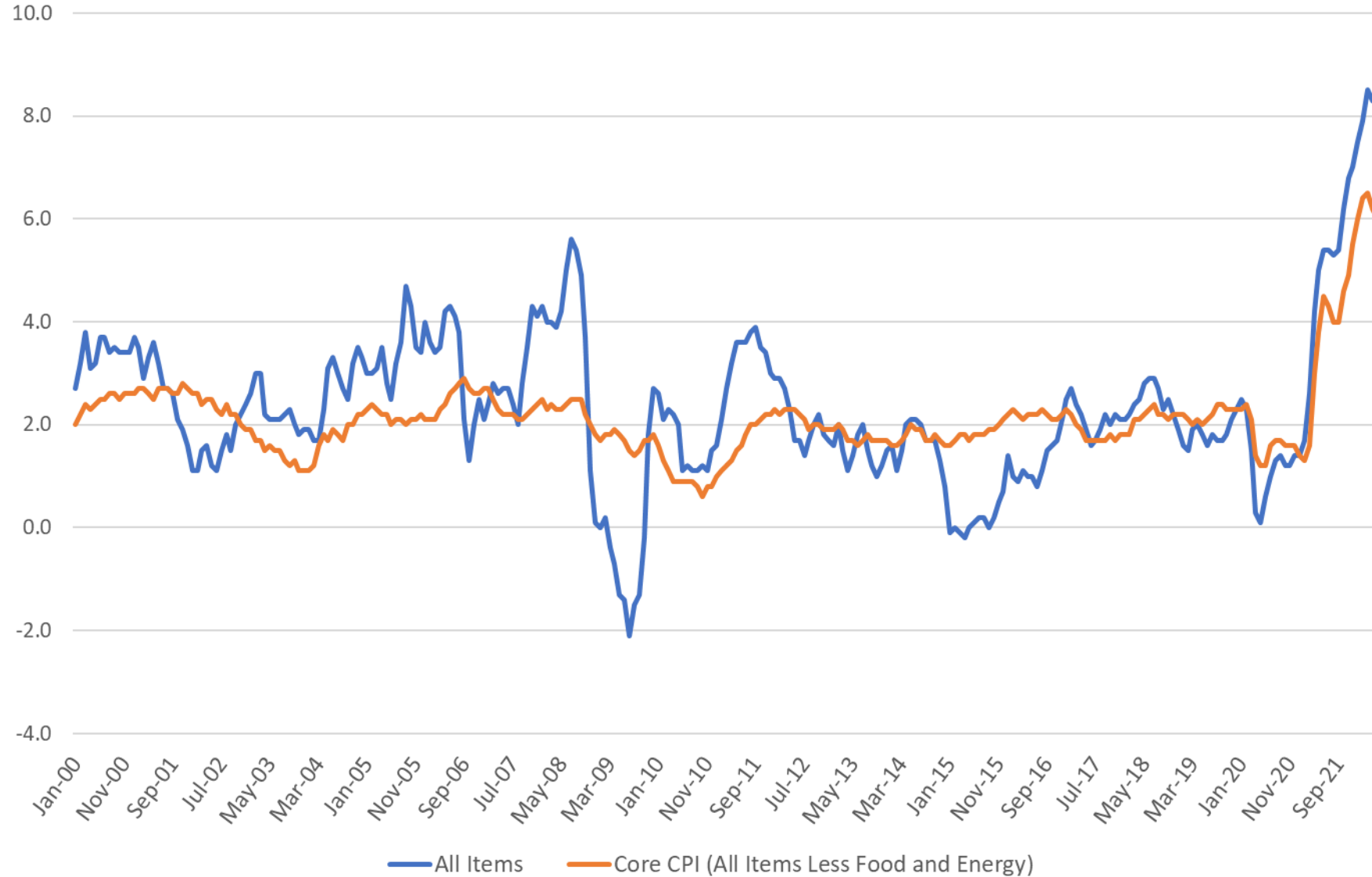
- Social Security moved 26.5 million people out of poverty
- Unemployment benefits = 5.5 million
- Stimulus payments = 11.7 million

The changes to the Child Tax Credit in the second half of 2021 were estimated to reduce monthly child poverty by around 30%; poverty returned to prior levels when the changes ended in January 2022

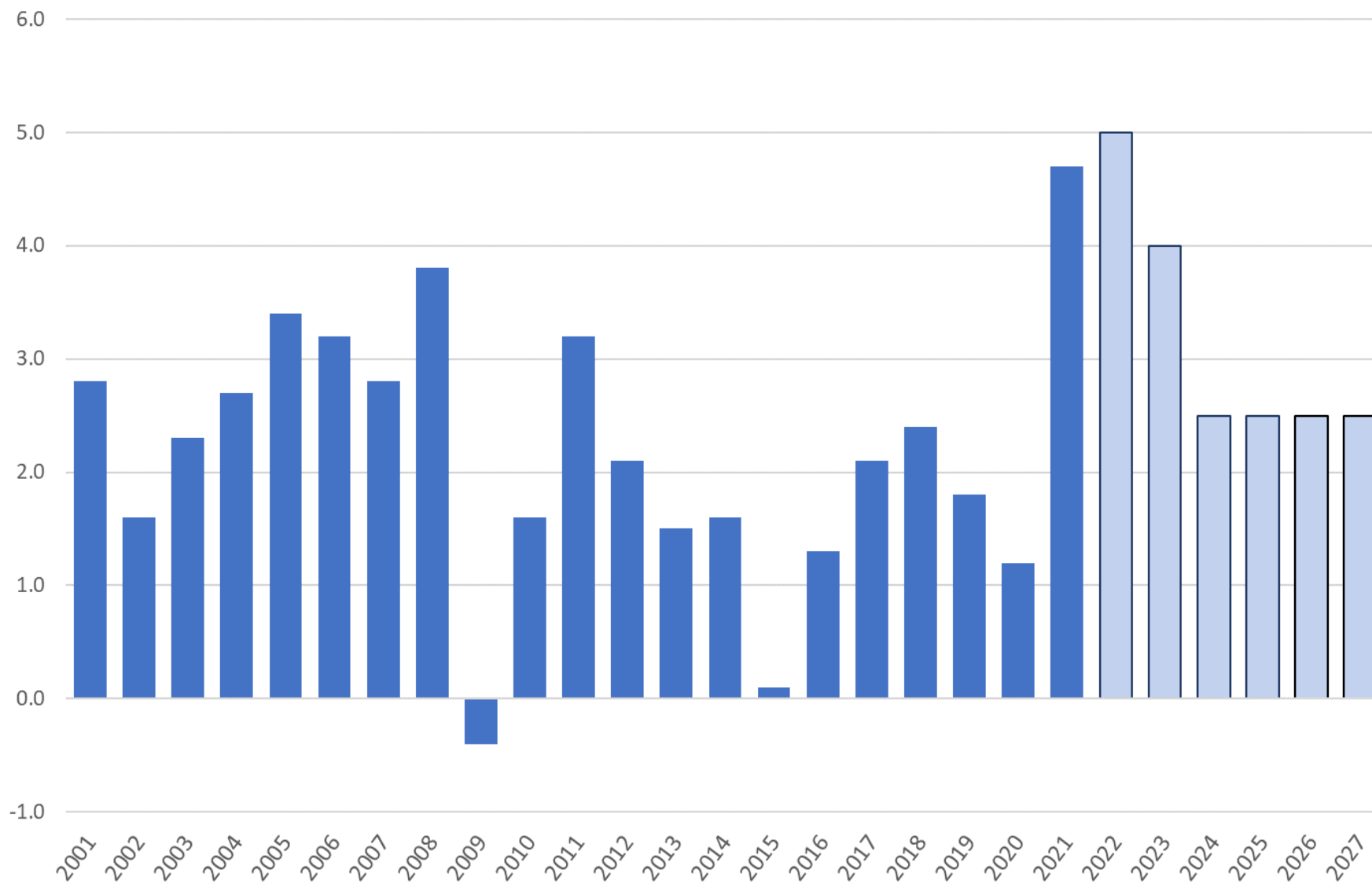
Percent Change in Real Personal Income, Maine 2012-2021 and forecast to 2027



Year-over-year percent change in Consumer Price Index (1982-84=100, not seasonally adjusted)



Year-over-year percent change in Consumer Price Index (1982-84=100, seasonally adjusted)



What does this mean for interest rates?

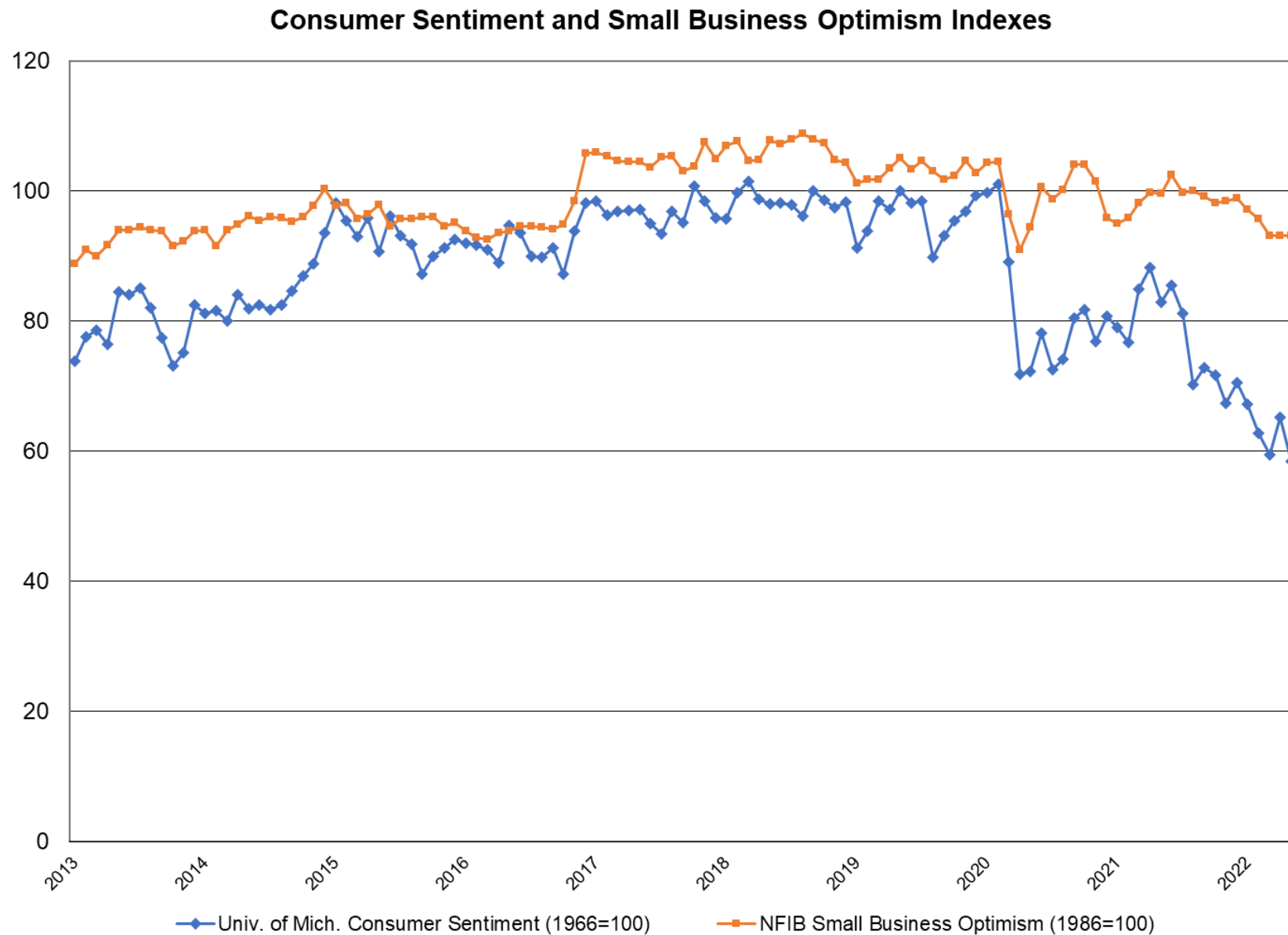
“(...) the Committee decided to raise the target range for the federal funds rate to 1-1/2 to 1-3/4 percent and anticipates that ongoing increases in the target range will be appropriate.”

Excerpt from June 15, 2022, Federal Open Market Committee statement

- Range of June FOMC projections for federal funds rate for 2022 was 3.1-3.9 percent
- This implies increases of 0.5 to 0.75 percent at next 2-3 meetings

Consumers are particularly concerned about inflation:

Year-ahead inflation expectation has been around 5.3-5.4% (levels not seen in 40 years)



How much is Maine at risk and how well-positioned are we to deal with the results?

High energy prices are troubling and may be weighing on summer tourism

Ongoing roll-out of funds from Maine Jobs and Recovery Plan with targeted investments based on 10-year Economic Development Strategy

Will we see continued migration into Maine?

The Budget Stabilization Fund is at a record level of nearly \$500 million

Things to keep in mind:

- We're moving into an endemic phase of COVID, but it's still out there and new variants may arise, impacting employment, supply chains, and the global economy
- Housing costs have increased sharply as demand far outstrips supply, limiting availability for workforce expansion; interest rate increases may cool some demand, but will make affordability a continuing problem
- Wages have increased, but so has inflation – real gains aren't as robust
- What happens with pandemic-related workforce trends in the long term?
- Near- to medium-term global and national economic conditions are highly uncertain reflecting war in Ukraine and interest rate hikes, among other things, but states are in a position to provide the kinds of support that typically come from the federal government

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